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C O N F I D E N T I A L SANTO DOMINGO 001177

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DEPT FOR WHA/CAR, EB/OFD/OMA; TREASURY FOR JLEVINE

E.O. 12958: DECL: 05/17/2017

TAGS: [EFIN](#) [DR](#)

SUBJECT: DOMINICAN REPUBLIC - HIGH HURDLES FOR 7TH IMF  
REVIEW

Classified By: Econ officer Stephen Wheeler. Reason: 1.4 (b) and (d)

[¶1.](#) (SBU) The Dominican government needs obtain passage of two pending pieces of legislation in order for the current IMF review to go forward, IMF Resident Representative Erik Offerdal told economic officer on May 17. One is a law that requires recapitalization of the Central Bank and the other is a long-awaited law to criminalize energy theft.

[¶2.](#) (SBU) Offerdal is optimistic that the legislation dealing with recapitalization will pass, but he said that it looks as if the energy bill is destined to fail. The Dominican authorities know that failure to pass either of these laws and establish implementing legislation will result in IMF non-approval of the seventh review.

[¶3.](#) (U) An IMF mission for the seventh review of the Dominican stand-by program arrived yesterday, May 16. Their last visit was in January, which led to February completion of the combined fifth and sixth reviews \* originally scheduled for August 2006 \* but only because the IMF granted several waivers.

[¶4.](#) (SBU) Criminalization of energy theft has been an IMF focus since the beginning of the program here and that target has been missed repeatedly. Most recently, legislation submitted to Congress in 2006 died in February when it failed to win adequate support in the Senate. The IMF gave the government until March 31 to pass new legislation. The new draft energy bill that would criminalize energy theft is again stuck in Congress and it appears there is little hope that it will move forward. Offerdal was adamant that this time there will be no waiver. If either of the two pending pieces of legislation fails to pass, there will be no new letter of intent.

[¶5.](#) (SBU) Structural reforms also appear to be well behind schedule, but should have little effect on the present review. Offerdal said that integration of key financial agencies called for in the stand by agreement simply has not progressed at all. This particularly affects the newly reorganized Ministry of Hacienda (formerly the Ministry of Finance), parts of the Central Bank and the Secretary of the Economy and Planning (formerly Technical Secretariat of the Presidency). Failure to restructure and coordinate these agencies under recently passed laws will have dire consequences for the 2008 budget process.

[¶6.](#) (C) U.S. Treasury Intermittent Advisor Harry Tether (protect) confirmed the lack of cooperation between Hacienda, Economy and the Central Bank. Assigned to work with the Public Credit Office at the Ministry of Hacienda, Tether said

that the Hacienda officer responsible for coordination has had &no contact whatsoever8 with his counterparts regarding preparation of the 2008 budget, a process that should be well under way by now. Despite guidance that he and IMF technical advisor Gabriel Dibella provided to the Public Credit Office on reorganization, little has changed during the past six months.

¶7. (C) Tether said that Director of Public Credit Edgar Victoria confided that he was extremely restricted in his ability to operate, and that he had recently received telephoned threats of violence against his family to keep him from pursuing collection of a loan.

¶8. (C) IMF advisor Dibella (protect) had heard similar remarks from Victoria. Dibella said he had little doubt that Public Credit has corrupt officers in its ranks whose activities are condoned - -and possibly guided - - by higher levels in the Ministry. He said that the past three directors had left the position after very short periods for the same reason -- each failed to get support from the Minister Vicente Bengoa. Dibella said that Victoria threatened to quit in March but Minister asked him to stay on, which Dibella saw as a somewhat encouraging sign.

¶9. (U) Drafted by Stephen Wheeler.

¶10. (U) This report and extensive other material can be found on the Santo Domingo SIPRNET site,  
<http://www.state.sgov.gov/p/wha/santodomingo> < /a> .  
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